

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, NOVEMBER 23, 2011

CLERK'S OFFICE

APPLICATION OF

2011 NOV 23 A 10: 32

VIRGINIA ELECTRIC AND
POWER COMPANY

CASE NO. PUE-2011-00088
DOCUMENT CONTROL

For approval of a standby charge
and methodology and revisions to its
tariff and terms and conditions of service
pursuant to § 56-594 F of the Code of Virginia

FINAL ORDER

On July 29, 2011, Virginia Electric and Power Company ("Dominion" or "Company"), filed with the State Corporation Commission ("Commission") an application pursuant to § 56-594 F of the Code of Virginia ("Code") for approval of a standby charge and methodology applicable to residential eligible customer-generators who own and operate, or contract with other persons to own, operate, or both, an electric generating facility with a capacity that exceeds 10 kilowatts but not greater than 20 kilowatts and for corresponding revisions to its tariff and terms and conditions of service ("Application").

In its Application, Dominion states that its infrastructure costs are generally categorized within three broad areas: distribution, transmission, and generation.¹ The Company further states that the proposed standby charge methodology is comprised of the same three components and that the distribution- and transmission-related components are proposed to be calculated based on the monthly peak demand of the eligible customer-generator on the Company's system. The Company states that it believes a generation component of the standby methodology is proper, but it has insufficient information at this time to determine properly the appropriate

¹ Ex. 2 at 3-4.

generation-related standby component and, therefore, is proposing a "placeholder" for the generation-related component.²

The Company seeks approval of a standby charge consisting of a \$2.79 per kilowatt distribution-related component, a \$1.40 per kilowatt transmission-related component,³ and a \$0.00 per kilowatt generation-related "placeholder" component.⁴ The Company asserts that the proposed standby charge will result in a more appropriate apportionment of cost responsibility among residential customers and reduce the cross-subsidization of net metered customers by non-net metered customers.⁵

On August 16, 2011, the Commission entered an Order for Notice and Comment in this proceeding which, among other things, directed Dominion to provide notice of its request for approval of a standby charge and methodology to each of its net metered customers and afforded interested persons an opportunity to file comments or request a hearing on the Company's Application.

On September 12, 2011, the MD DC VA Solar Energy Industries Association ("MDV-SEIA"), by counsel, filed a notice of participation and a request for hearing. On September 19, 2011, the Commission entered an Order Scheduling Hearing wherein it, among other things, set forth a schedule for the filing of testimony and scheduled a hearing for November 3, 2011.

² *Id.* at 4.

³ *Id.* at 6.

⁴ *Id.*

⁵ *Id.*

The Company filed its testimony in support of the Application on October 3, 2011, MDV-SEIA filed its testimony on October 11, 2011, and the Commission Staff ("Staff") filed its testimony on October 18, 2011. The Company subsequently filed its rebuttal testimony.

On November 3, 2011, the Commission convened a hearing on this matter, as scheduled, in which it received the testimony of public witnesses, the Company, MDV-SEIA, and the Staff.

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that the Company's Application is granted as set forth herein.

Dominion seeks approval of its proposed standby charge and methodology pursuant to § 56-594 F of the Code, which provides that:

Any residential eligible customer-generator who owns and operates, or contracts with other persons to own, operate, or both, an electrical generating facility with a capacity that exceeds 10 kilowatts shall pay to its supplier, in addition to any other charges authorized by law, a monthly standby charge. The amount of the standby charge and the terms and conditions under which it is assessed shall be in accordance with a methodology developed by the supplier and approved by the Commission. The Commission shall approve a supplier's proposed standby charge methodology if it finds that the standby charges collected from all such eligible customer-generators allow the supplier to recover only the portion of the supplier's infrastructure costs that are properly associated with serving such eligible customer-generators. Such an eligible customer-generator shall not be liable for a standby charge until the date specified in an order of the Commission approving its supplier's methodology.

We approve a standby charge methodology that includes the transmission and distribution components as proposed by the Company and supported by the Staff. The evidence in the record indicates that customer-generators who engage in net metering still make use of the transmission and distribution grid. The grid must be available to deliver power to them when their own solar or other forms of generation are not producing electricity and to return any excess power produced by eligible customer-generators' facilities. Further, the evidence in this record

indicates that any avoided cost benefits provided by customer-generators, at least in terms of the transmission and distribution grid, are insufficient to pay for their proportionate share of the grid.⁶

The Company, however, has not presented sufficient data on its still-to-be-determined generation component for us to conclude that it satisfies the statutory requirements for any generation component of such rate. Thus, we do not approve a generation component as part of this case. Before Dominion can modify the standby charge to include any generation component, the Company must file with the Commission a formal application under § 56-594 F of the Code (which evaluates both the generation costs and benefits attendant to serving eligible customer-generators), and the Company must receive approval thereof for its total standby charge.

We note that, pursuant to § 56-594 F of the Code, the standby charge approved herein does not apply to residential eligible customer-generators whose electrical generating facilities are 10 kilowatts or less. In addition, we emphasize that our Final Order herein does not preclude the consideration and adoption in subsequent proceedings of alternative methodologies for standby charges based on the specific record developed in such proceedings. For example, although we have not found – based on the current record – quantifiable benefits provided by eligible customer-generators to apply to the methodology approved herein, we are in no manner precluded from applying the concept of such benefits to future standby charge methodologies if future records so warrant.⁷

⁶ Ex. 10 (Walker direct) at 2; Tr. at 200-202.

⁷ Finally, we note that there was discussion at the hearing regarding the possible use by customer-generators of Dominion's Schedule 19 to receive compensation for energy and capacity sold back into the Company's system and as a basis for evaluating potential avoided costs and benefits. We direct the Company, when it subsequently files to include a generation component in the standby charge, to address the efficacy of Schedule 19 for such purposes.

Accordingly, IT IS ORDERED THAT:

(1) The Company's Application is granted in part and denied in part as set forth in this Final Order.

(2) The Company shall forthwith file revised tariffs removing the generation "placeholder" and terms and conditions of service with the Clerk of the Commission and with the Commission's Division of Energy Regulation, in accordance with this Final Order, effective for bills rendered on and after April 1, 2012. The Clerk of the Commission shall retain such filing for public inspection in person and on the Commission's website:

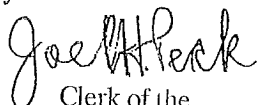
<http://www.scc.virginia.gov/case>.

(3) This matter is dismissed, and the papers filed herein shall be placed in the Commission's file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

Karen L. Bell, Esquire, Dominion Resources Services, Inc., 120 Tredegar Street, Richmond, Virginia 23219; Ashley B. Macko, Esquire, McGuireWoods, LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219-4030; and Eric W. Hurlocker, Esquire, Williams Mullen, P.O. Box 1320, Richmond, Virginia 23218-1320; and a copy shall be delivered to the Commission's Office of General Counsel and Division of Energy Regulation.

\ True Copy
Teste:


Clerk of the
State Corporation Commission